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Second Revised Draft

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Centers of Middlemen
and Methods of Violation and Evasion

40. The effectiveness of the "Soviet Bloc Procurement Organization" in obtaining the required quantities of the needed strategic goods is indeed a moot question, and outside the scope of this Study. Also beyond its purview are the magnitude of clandestine West-East trade and the depth of the security controls enforcement problem. Nevertheless, the following general implications on these subjects should contribute to a better understanding of this illegal trade situation and serve as useful background material in the consideration of the leading centers of middlemen engaged in it and the examination of their principal methods of violation and evasion:

a. The Office of the Special Representative, Europe, Mutual Defense Assistance Control Administration, reported during the spring of 1953 that: "Illicit trade exists in all major Western European industrial countries. The volume of such trade runs into millions of dollars monthly. Two cases alone, presently under investigation, involve over \$20,000,000. Operating internationally are accredited Soviet bloc diplomats, industrialists, transport firms, banking houses, and racketeers."^{3/}

b. A competent professional reporter, after six months of on-the-spot "painstaking legwork", wrote in an international weekly magazine early in 1953: "The world's history is full of

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examples of organized smuggling, but there probably has never been anything before to compare with the size—and menace—of today's trade through the Iron Curtain." The article also stated: "The high prices (paid by the Communists) have attracted Europe's most talented operators, black-marketeers, crooks, and near-crooks to assist Russia in overcoming her shortages" and "these connivers constitute Stalin's sixth column. Few of the sixth columnists are Communists, most of them probably are not even Communist sympathizers. They are simply men who will do almost anything and deal with anyone for money.... Many have been black-marketeers.... Some are merely business men who feel that if they don't take advantage of this opportunity to get wealthy, someone else will." 4/

c. A memorandum on diversions and leakages submitted in the spring of 1954 by the United States to the Consultative Group included: "The extent to which the security controls can be evaded by transshipment and other forms of diversion en route has always been a matter of serious concern to all participating countries. There is substantial evidence to show that large quantities of strategic goods, estimated at several million dollars' worth a month, are still being diverted to the Soviet bloc while ostensibly in transit to other destinations. Not all these goods originate in participating countries, but most pass through one or more of them on their way to the bloc. This traffic must inevitably diminish the value of the whole

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control system and to some extent nullify the sacrifices made by participating countries in denying their own products to the bloc." 5/

41. At this point, before considering the principal centers of middlemen and the specific methods used by them to violate and evade Western security controls, it seems appropriate to throw some light on the terms "transshipment" and "in transit" mentioned in the preceding subparagraph. Very simply stated they mean "transfer for further transportation from one ship or conveyance to another" and "in passage through or over." An Army intelligence report released about a year ago, however, in a general description of the mechanics of West-East trade in strategic commodities, brings out the significance of in transit status, transfers, transshipments, and other similar devices to circumvent the controls. Although this report, which is abstracted in the following subparagraphs, has particular reference to Belgium, it seems to have overall applicability to any "free port" country of Western Europe. 6/

a. The Communists rarely purchase strategic commodities directly; rather they maintain individuals, companies, and banks abroad which operate on secret funds. These usually employ agents who often contact well-known and well-considered Western firms and individuals that in the hope of a large profit, will agree to sell for delivery to the Soviet bloc. They justify such activities by the fact that legislation and commercial treaties do not entirely prohibit this trade with the East and it is advantageous to their national economy and also very profitable to themselves. In

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order to avoid possible punitive consequences of this trade, such as black listing and denial of visas, these "respectable" firms often organize covert selling companies of not too sound a nature or a corporation with a ridiculously small capital managed by a trusted person.

b. In many cases the Communist firms and their agents also setup covert or front concerns which attempt to form relationships with the regularly established western companies which have a reputation of willingness to engage in operations returning a good profit. In addition to the participation of commercial firms and banks, trade with the Soviets requires the cooperation of maritime agencies for the transportation of merchandise. The Communists have friendly shipping agents in every maritime country, often granting them financial assistance, but there are also "respectable" maritime agencies which lend themselves to irregular operations in exchange for good commissions.

c. The purchase and forwarding of strategic commodities are generally accomplished in the following manner: The end-purchaser, that is, the Communist purchasing organization, asks the Communist controlled firms or agents to procure from the Western companies items indispensable to the U.S.S.R. or its satellites. On assurance that the commodities are supposedly destined for a NATO or neutral country, the "respectable" firm in the Western country, which often knows well that the items are going to the East, will offer the commodity directly or through a covert or front company, in Belgium,

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for example, with all necessary export documents. The sale is made CIF Belgium or CIF transit Belgium. Meanwhile, the selling company receives notification that the merchandise has been sold to a firm in a country other than that of the primary destination and is asked to send it CIF transit Belgium for Denmark, Switzerland, Iran, or other free nation. The company to which the merchandise is resold obviously has a confidential relationship with the Communist agent.

d. At this juncture, the original purchasing company gets a notice of credit from the end-purchaser and gives a guarantee of delivery, which is generally two per cent. As soon as the guarantee of delivery is given, the original purchaser converts the credit to a sight draft. The original Communist buyer, the identity of which is often hidden from the seller, prefers to buy FOB Europe with payment on receipt of shipping documents. As the destination of overseas merchandise sold CIF Europe must be indicated on departure and since the Communist buyer only gives a sight draft on receipt of shipping documents FOB Europe, a bank must participate to finance the operation covering embarkment by the selling company and transshipment or reembarkment by the original or secondary purchasing company to point of final destination. Such banks exist and they finance the operation for a two-per-cent commission.

e. As can be seen from the above summary, the original purchase of the strategic commodities is entirely legal and their expedition to a European port is also effected in a legal manner. Once the

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sale is consummated, and while the goods are in transit, the original buyer sells the goods to a second company, often fictitiously. This latter company, which must necessarily be located in a country other than the one to which the goods were sold and shipped, advises the maritime agency that the goods have been resold to a satellite and that the destination previously indicated no longer holds good. The maritime agency therefore does not make a debarkation declaration for the country designated by the original seller, but transfers the goods FOB to the shipper of the primary buyer. As long as the port or customs authorities receive no complaint, they do not intervene because the operation does not concern their country.

f. The first legally guilty party is the secondary purchaser that gave the maritime agency the order to change the destination of the goods, knowing that the goods had originally been purchased for a NATO or neutral country. The second guilty party is the maritime agency which transships the goods to an Eastern destination, knowing that according to the shipping documents of the original purchaser the goods were destined for a NATO or neutral country. There are graver cases also, as for example when the maritime agency delivers fictitious shipping documents to the second purchaser that show the destination as a NATO or neutral port and then transships the goods to the East. This is done to eliminate the financing the bank and increase/profits of the selling company.

42. Where in the free world are these Communist persons and companies and their agents, and the Western individuals and firms that are "respect-

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able" yet, in the hope of a large profit, will agree to obtain and sell strategic commodities for delivery to the Soviet bloc and those that have a reputation of willingness to engage in such operations returning a good profit? Apparently practically everywhere and likely to appear anywhere, but the research and analysis conducted for this part of the Study ²/ disclosed that the leading centers of "middlemen" ²/ during the period covered were as follows:

Amsterdam	Hong Kong
Antwerp	London
Basel	Milan
Beirut	Paris
Berlin	Rome
Brussels	Rotterdam
Frankfurt	Vaduz
Geneva	Vienna
Hamburg	Zurich

43. Other important centers of middlemen revealed during this process were these:

²/ A brief description of the scope and sources is given in the Appendix.

²²/ Defined in the terms of reference as "firms and individuals knowingly or unknowingly participating in this trade (clandestine west-east trade) directly or indirectly as overt or covert representatives or agents between the Western producer or primary seller and the Eastern consumer or ultimate buyer, usually the official Communist purchasing organization".

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Baden	Madrid
Bern	Santiago
Bremen	Stockholm
Chiasso	Tangier
Dusseldorf	The Hague
Genoa	Trieste
Macao	

N.B.

The names and addresses of some of the individuals and firms prominently engaged in clandestine West-East trade in the places included above in the two lists of principal centers of middlemen are shown in the Appendix.

44. The greatest concentration, about two-thirds, of the principal centers of middlemen concerned directly or indirectly with the purchase, sale, financing, shipping, forwarding, or any other function to accomplish or facilitate the movement of controlled commodities from the free nations of the world to any part of the Soviet bloc is found in the five contiguous countries of Germany, Switzerland, Italy, Belgium, and the Netherlands. Most of the other principal centers are located in countries and places which form a kind of semi-circle around this concentration — Sweden, England, France, Spain, Northwest Africa, and Lebanon. The other significant concentration of middlemen is in East China, in the area of the Portuguese and British colonies of Macao and Hong Kong.

45. It was observed in the preceding section on the "Soviet Bloc Procurement Organization" that trading agencies in Western Europe which have been reported as being engaged in business on behalf of the Soviet bloc against the declared interests of the Western powers, or collaborating with the trading organizations of Communist China to violate and evade

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the security controls of the free nations on that country, are found in Amsterdam, Antwerp, Brussels, Frankfurt, Hamburg, London, Milan, Paris, Rome, Rotterdam, Vaduz, Vienna, and Zurich, and in Madrid, Stockholm, Tangier, and The Hague, and five or six additional cities, mostly in Italy. Those enumerated constitute approximately four-fifths of the "leading" European centers of middlemen in the list above and a significant portion of the group of "other important" centers. This fact tends to support the lists, because it seems only logical to assume that the U.S.S.R. and its satellites would establish these connections in the major centers of middlemen and the principal market places for the strategic goods they want.

46. Moreover, it is known that many of the cities listed are the headquarters of Soviet bloc trade missions or delegations and commercial counselors or attaches actively engaging in or masterminding "clandestine West-East trade." The following illustrations show that the U.S.S.R. and virtually all the European satellites have such representatives in Western trading centers: Hungary has trade missions in Brussels, Bern, and Vienna, commercial counselors in Bern and Paris; Poland has missions in Frankfurt and Vienna, counselors in London, Rome, and Vienna; Bulgaria has a mission in Vienna, counselors in Rome and Vienna; Rumania has a counselor in Bern; Czechoslovakia has counselors in Bern and Beirut; and the U.S.S.R. has trade delegations or missions in Brussels, Amsterdam, Berlin, London, and Vienna.

47. Further credence is given to the lists above by the special independent research and analysis undertaken for the section on "Financing

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of West-East Trade" at the end of this Study. This shows that among the principal centers for financing clandestine West-East trade, by definition included under the term "middlemen," are Amsterdam, Antwerp, Basel, Beirut, Berlin, Brussels, Frankfurt, Geneva, Hamburg, Hong Kong, London, Milan, Paris, Rome, Rotterdam, and Zurich, practically all of the "leading" centers shown above in the first list, and several of the "other important" centers in the second list, including Dusseldorf, Genoa, Macao, Tangier, The Hague, and Trieste.

48. Incidentally, the determination of almost one half of the European cities listed above as "leading" centers of middlemen, in the nonferrous metals field at least, is confirmed by a report published by this Office about two and one-half years ago. It notes, in discussing the practices and facilities employed for the transfer of these metals to the Soviet bloc, that "The markets in which the bids, offers, and transactions occur are usually in Western Europe. Brussels, Antwerp, Zurich, Geneva, Vienna, Amsterdam, Rotterdam, and Paris are the principal cities involved." 7/

49. The professional reporter previously referred to observed that "Their (the sixth columnists, the clandestine West-East traders) operations start in Vienna because that city's international zone is the one place where men from the West can meet rather openly with men of the East. ... the sixth column agents from the West have no trouble getting to Vienna and are inconspicuous there.... The sixth columnist gets his order in Vienna and his money in Zurich. He then proceeds to buy his goods wherever he can and ship them by whatever route looks open." 4/ Several months

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after publication of this article it was reported that Switzerland in general and Zurich in particular had ceased to be satisfactory bases of operations for these illicit traders. They became almost panicky when it was learned that the Swiss federal authorities had intercepted their mail and probably tapped their telephones. As a result, about eighteen of them moved from Zurich to Barcelona during the spring of 1953. 8/ The same source reported a few months later that these traders found it impossible to conduct their activities from Barcelona and were hopeful of relocating at Milan, or some other Italian center. 9/

50. A detailed "Summary of a Diversion Case" compiled late in 1953 by United States Government officials stationed in Paris included six of the cities listed above as among the principal centers. This summary shows that the middlemen involved in one of the two transactions (electrolytic copper wire from Belgium and Germany, respectively) were located in Antwerp (forwarder), Lugano (intermediary), Milan (arranger for import certificates and fictitious buyer), Chiasso (consignee), Milan (negotiator), Arnoldstein/Styria (consignee), and Vienna (ultimate consignee). In the other transaction covered by this report the middlemen operated from Berlin (consignor), Zurich (buyer), Milan (consignee), Chiasso (forwarder), and Vienna (ultimate consignee). 10/ Both of these shipments were detained on the same day in June 1953 at Villach, British Zone of Austria and diversion of the copper wire to the bloc was prevented. Since then, Soviet forwarding agencies have instructed their Western counterparts to avoid passage of goods through the U.S. and British Zones of Austria and to divert via Antwerp and Rotterdam. 11/

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51. It seems that at about the same time, as a consequence of restrictions imposed by the Swiss authorities on the opening of credit and the movement of material "in transit," the consignment market for controlled commodities destined to Soviet bloc countries shifted from Switzerland to Antwerp and Rotterdam. The little dealers and intermediaries handling small quantities of goods between Italy and Switzerland seem to be disappearing. Switzerland is emerging from this transition as the center of activity concerning import certificates, real and counterfeit, which are issued by Switzerland and various countries, including some in South America, and serve to cover operators in Western Europe. The hub of such traffic is Bern, where the Romanian Commercial Attache' made purchases directly or through various firms with funds received from Poland, Czechoslovakia, Hungary, and Rumania. 12/

52. This situation is illustrated by a report that the export of strategic materials from Italy to the Soviet bloc is carried out by obtaining a Swiss import certificate against which an Italian export license is issued. The goods thus covered are shipped to Switzerland via Chiasso, but on reaching the border the Italian customs officials are bribed to let the goods enter Switzerland in transit. In this way they are not subject to Swiss restrictions and continue on to bloc destinations. The import certificates and export licenses are not taken up, but are used over and over. In the event that an honest official examines the documents at any stage of the shipment, they are found to be in order and the goods proceed to a Swiss consignee in a legal fashion. It is alleged that by this method large quantities of aluminum, vanadium, and nickel are diverted from Italy

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to the Soviet bloc. 13/

53. A later report indicates that Eastern European countries had transferred to London their trade operations, which had been regulated previously from Bern, where only Czechoslovakia will continue its activities.

14/ Communist China, as previously indicated, has its European trading headquarters in East Berlin, but its financial activities are largely concentrated in London. Another report issued soon thereafter observes that the office of the Polish Commercial Attache' in London is one of the most important agencies for negotiating purchases of valuable nonferrous metals for Poland and that many continental and overseas firms address their offers to this office through the intermediary of export agencies in London. 15/

54. On the basis of the general categories specified in some of the numerous sources of information used in this Study, the main functional groups of West-East traders seem to be scattered among the locations listed above as principal centers of middlemen in the flow of controlled commodities from the free nations to the Soviet bloc as follows:

- a. Supplier/seller—Antwerp, Brussels, Hamburg, London, Santiago (copper), Zurich.
- b. Consignor/intermediary—Antwerp, Brussels, Geneva, Hamburg, Hong Kong, London, Milan, Paris, Rotterdam, The Hague, Zurich.
- c. Forwarder—Antwerp, Basel, Chiasso, Rotterdam.
- d. Consignee/buyer—Basel, Berlin, Brussels, Hong Kong, London, Milan, Vienna
- e. Financier—Basel, London, Paris, Vienna, Zurich.

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f. Insurer—London.

55. The following abstract of a reliable report on a diversion of one thousand tons of steel plates from Japan to East Germany prepared for the Intelligence Working Group illustrates the involvement of several of the leading centers of middlemen and the complexity of some of the principal methods of violation and evasion. It also names a few of the better-known traders with the bloc and indicates some of the channels or transportation routes employed in clandestine West-East trade. 16/

a. It was established that on 20 July 1952 the Norwegian SS TARN left Kobe, Japan for Antwerp with the steel plates. The Japanese Ministry of International Trade and Industry (MITI) issued the export license for this shipment to the Kawasaki Steel Corporation on 4 July 1952, naming Huth and Company, London as buyer, with the annotation "notify Citex, Antwerp." Huth and Company has addresses in France, Switzerland, Netherlands, Canada, Colombia, Belgium, Italy and Japan.

b. Citex, which also has an address in Rotterdam, was listed as ultimate consignee on the bill of lading. Prior to the actual departure of the steel plates from Kobe instructions were received through Hivag, a Brussels intermediary involved in previous bloc-bound steel shipments and allegedly in possession of a Belgian import license for this cargo, to substitute "Neptune Societe Belge de Transport et Navigation" for "Citex" on the letter of credit and the bill of lading. The Japanese MITI stated that this change was made without its authorization. Lloyds of London had arranged insurance for the cargo in Japan with a guarantee that final

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consumption would be in Belgium, with no reexport. The transaction was financed by a letter of credit, authorized by the Bank of England, in favor of Kawasaki, holder of the Japanese export license, through the Hoffman Bank, Zurich, with a firm in Kobe acting as correspondents.

c. The TARN arrived at Genoa on 16 September 1952 after having received instructions from Neptune, Antwerp and Basel, to discharge the cargo there (Genoa) "for transshipment to Antwerp," in order to meet the requirements of the letter of credit. On 20 September the vessel was expected to leave Genoa for Antwerp and Rotterdam, with the steel plates still aboard, but on 23 September a customs officer reported that they had been unloaded at the last moment prior to its departure. The next day the plates, with markings removed, were loaded onto the Belgian SS ROSA, scheduled to leave for Antwerp on 27 September. Then a new bill of lading was issued to Antwerp, option Rotterdam, on instructions from the agents of the TARN. The Hoffman Bank, which held the new bill of lading, exercised its option to divert the shipment to Rotterdam. There it was ultimately handled by William H. Muller and Company, a forwarding firm affiliated with the Czechoslovak Metrans. On 12 November 1952, about a month after arrival, the steel plates departed from Rotterdam for Rostock, East Germany.

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57. The fluid character of the scene of operations in clandestine West-East trade has been implied in several of the preceding paragraphs. It is interesting to note in this connection that back in 1951 Switzerland took first place among the countries through which Western traders sold to the East, often via West Berlin intermediaries. In the Netherlands the facilities at Rotterdam for transit trade gave Dutch intermediaries many advantages. Belgium lagged far behind Holland. Great Britain had just begun to gain prominence in West-East trade, frequently by way of Rotterdam to Rostock. 18/

58. Abstracts of specific reports on typical transactions of a diversionary character (planned, attempted, or consummated), involving most of the centers of middlemen included in the foregoing lists, are given below to indicate some of the methods employed to get embargoed or restricted commodities through the iron curtain:

a. A firm in The Hague was directly implicated in an attempted diversion of lead, stainless steel, electrolytic cobalt, aluminum, and copper from Chile, France, and Germany to Poland. A dealer in Milan turned over forged Italian import certificates to the firm,

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naming it as the supplier and himself as importer. The first firm was to arrange for the necessary export licenses from the countries of origin and assemble the materials at Rotterdam, documented for Genoa aboard an Italian ship. Once on the high seas, the vessel would change course and head for Gdynia. 19/

b. A Milan firm purchased "strategic goods" from well-known Italian traffickers. It shipped them through customs in collusion with the officials, invoiced under false classifications, and usually consigned to a forwarding firm in Chiasso. The goods moved on to Basel and then to Antwerp where they boarded a Polish vessel. 20/

c. Two firms in Vaduz and Zurich engaged in the procurement of molybdenum, tungsten, tantalum, copper, and nickelbase alloys. The owners of these firms used Berlin for negotiations with Soviet bloc agencies and Switzerland for procurement and financing. The most common method employed in their diversionary activities was to place orders with manufacturers, using the names of fictitious or unknowing companies as purchasers. The purchase orders were sent to the suppliers with false documentation, instructing them to ship to the order of a named forwarder in Switzerland, who then received instructions for shipment to the Soviet bloc. 21/

d. Firms and individuals in Vienna, Brussels, Zurich, Frankfurt, and Vaduz diverted, or caused to be diverted, shipments of U.S. chemicals, pharmaceuticals, and antibiotics to Soviet Austria, after declaring such shipments were destined

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for Western Austria, Switzerland, and Belgium and would not be diverted or transhipped. 22/

e. The proprietor of a firm in Amsterdam was arrested for participating in an illegal scheme with an Antwerp firm to ship industrial diamonds and diamond tools to the Soviet bloc. The sales from the former's stock were covered by obtaining forged delivery notes from the Antwerp dealer. 23/

f. A dealer in Paris was arranging the diversion of Chilean electrolytic copper to Poland and, with another Parisian, buying additional copper from a firm in Santiago for a company in London, which was alleged to have placed a letter of credit for the purchase with a bank in Basel. Shipments were scheduled from Chile to Antwerp. 24/

g. A firm in The Hague operated by Indonesians was offered electrolytic copper bars of Chilean origin by an individual of Hamburg, whose principal had a Tel Aviv address. The Hague firm completed the deal, involving copper believed to be destined for the Soviet bloc, in the capacity of intermediary for an individual in Rotterdam, buyer's agent for English principals, who refused to supply an end-use certificate as requested. A British bank was opening a letter of credit in favor of the Hamburg individual at a Swiss Bank. 25/

h. An American resident of Montevideo connected with two firms there was the instigator of a Chilean copper transaction through an associate in Buenos Aires. The shipment was to be made by a firm in

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Santiago to an ostensible purchaser in London, although the destination of the copper was either Antwerp or Copenhagen, via Tangier if the latter, with strong indications of eventual shipment behind the iron curtain. The credit was to be opened from London in Montevideo and reopened in Chile. 26/

i. A firm in Hong Kong recommended to its forwarding agent in Bremen a channel of shipment through prominent importers in Macao, who could supply any kind of import certificates on short notice, for goods prohibited from direct shipment to Communist China, but the forwarder would have to obtain his own export licenses. China mainland had stopped purchases from Hong Kong for lack of foreign exchange and had adopted the barter system there. Later reports involved firms in London and Shanghai. 27/

j. A firm in Brussels was reported to be the seller of Chilean ingots and Belgian wire of electrolytic copper for shipment through a forwarding agency in Antwerp to Poland. Both lots were to be paid for through a Brussels bank by a firm in Paris, in turn to be reimbursed by an individual of Geneva and Paris. 28/

k. An individual in Chiasso contracted to sell U.S. or Canadian copper to a Swedish buyer for delivery to Poland. A letter of credit was to be transmitted from a Stockholm bank via one in London to a bank in Montreal which was to be informed only that the copper would be shipped to Antwerp. A Brussels firm had an import

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license for this copper. A firm in Basel was to receive payment in favor of the seller for an amount not covered by the letter of credit. 29/

l. A Hamburg firm bought from a Norwegian company copper sent to a refinery in Hamburg. The former obtained German export licenses for an Irish destination and shipped the copper to a forwarder at Rotterdam, where it was transhipped to a Soviet flag vessel for an East Baltic port. The entire amount of the transaction was invoiced to a company in London. 30/

m. A Geneva firm was masterminding another attempt to divert German bearings to Communist China via Poland or Soviet Germany, using Stockholm as a false destination. Parties to the diversion included banks in Zurich and Paris, an individual and another firm in Geneva, trading companies in London and Paris, a Canadian firm, and a German intermediary. 31/

59. A recapitulation and combination of the various techniques and methods of violation and evasion illustrated above and disclosed by other reports examined during the Study follows:

a. Bribery and collusion of customs, port, license, and other officials and patrols.

b. Forged, counterfeit, false, or otherwise fraudulent import certificates, purchase orders, export licenses, permit numbers, customs certificates, end-use statements, and delivery-verification certificates.

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- c. Unauthorized change of consignee or ultimate destination after approval of shipment.
- d. Alteration of bills of lading and other shipping documents, including such changes as from "Port of _____" to "Free Port of _____" and addition of "in transit" after consignee or other destination.
- e. Reconsignment and transshipment at free ports or while in transit status and circuitous routing with attendant confused documentation.
- f. False declaration of consignee or ultimate destination, coupled sometimes with a phony agreement not to transship or divert to the bloc, or concealment of material facts on export license applications and shipping papers.
- g. Outright smuggling of embargoed commodities.
- h. Shipment under blank, fraudulent, and false bills of lading, ship manifests, and other shipping documents and to order of unscrupulous forwarders.
- i. Substitution of controlled commodities for non-strategic items subsequent to approval of purported shipment and simply false description of commodities or erroneous serial and model numbers on invoices, bills of lading, and other papers.
- j. False packaging, labeling, numbering, stenciling, and other camouflage of commodities, and removal and alteration of markings and identifying numbers on commodities and shipping containers.

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k. Confidential orders to ship's master contrary to instructions on shipping documents, secret clause in charter agreement providing for diversion on the high seas, unconventional change of ship's course to the bloc after clearance for a Western port, and port clearance for the vessel in lieu of export licenses for its cargo.

60. A report prepared for the Office of the High Commissioner of Germany summarizes the more frequently encountered devices, used by the Soviet bloc to circumvent Western export controls, in this way:

- a. "Shipments through intermediaries in third countries who are not parties to COCOM or who deliberately disregard the embargo aspect of the goods.
- b. Falsification or forgery of documents.
- c. Falsification of end-use guarantee when applying for an export license.
- d. False description of goods.
- e. Shipments to satellite countries on export licenses to other countries, redirected on the high seas or freighted by devious routes.
- f. Selling for cash to West German firms or individuals goods which it is known may not be exported, but which it is also known will ultimately be transferred to the East Zone.
- g. Preparation of documents with technical inexactitudes to ensure pre-arranged confiscation by Soviet Zone officials of goods at the zonal frontier.

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h. Freight component parts of machines on the embargo list to a third country where they are reassembled and shipped eastwards by that third country.

i. Selling blue-prints to East Zone and Moscow of machines on the embargo list.

j. Smuggling."

"While the above listed examples were discovered primarily in 'illegal' transactions occurring in the flow of German East-West trade, they are fairly representative of the wide variety of subterfuges commonly employed by the Soviet bloc throughout the world to circumvent our controls and obtain much needed commodities."

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